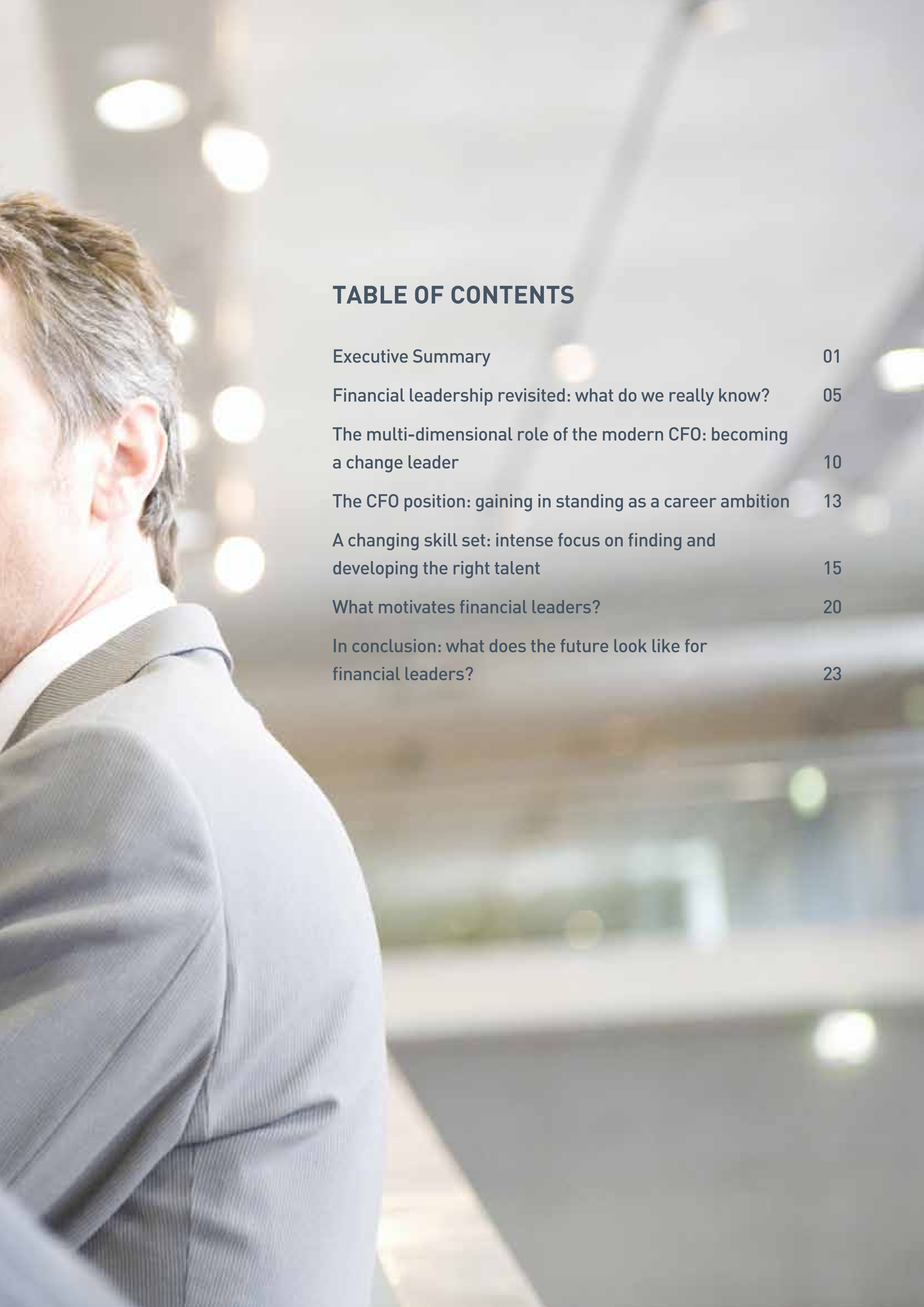
GLOBAL INSIGHTS
CFO & FINANCIAL LEADERSHIP BAROMETER

THE EVOLVING ROLE AND SKILL SET OF TODAY'S FINANCIAL LEADER

PageExecutive



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EXECUTIVE SUMMARY

Current market trends and developments make chief financial officers and other financial leaders central to a company's ability to change and adapt. Our survey highlights the following key findings:

FOCUS ON REGIONAL BUSINESS STRATEGIES, WITH COST A CONTINUED PRIORITY

As regional economies have a bearing on overall business performance, our survey found a renewed emphasis on more regional or even national approaches.

While the survey found some optimism overall in international markets, most companies are not planning large-scale investments; rather they are focusing on smaller, incremental changes in optimising their costs and processes.

FROM FINANCE MANAGER TO CHANGE LEADER: TODAY'S CFO UNITES IN-DEPTH FINANCIAL EXPERTISE WITH ADDITIONAL CAPABILITIES IN IT, LEGAL, HR AND PROCUREMENT, AND THE ABILITY TO DRIVE CHANGE

Modern financial leaders in general, and CFOs in particular, are facing multiple challenges, not least in their contribution to the business strategy. The traditional remit of the CFO is becoming more complex, as financial management, accounting and control become at once more global and more interconnected. In addition, CFOs in general are taking on responsibility for areas such as IT, legal, HR and procurement. Present-day CFOs have not only expanded their scope, they now increasingly drive changes that impact the organisation as a whole.

THE POSITION OF CFO: GAINING IN STANDING AS A CAREER AMBITION

Where once finance leadership was widely regarded as a stepping-stone to the role of chief executive officer, financial leaders are now strengthening their position in their own right. After all, the decisions they take can make or break a company. Their growing involvement in shareholders' meetings, investor relations and corporate strategy highlights this development.

Assuming greater responsibility for company stewardship brings closer ties with company owners, especially in privately owned companies, where CFOs hold a position of great trust and influence.

With these changes in mind, it is conceivable that the CFO could ultimately supersede the CEO as the most important C-level position, making aspiring to the role of CFO a career ambition for young professionals.

A CHANGING SKILL SET, WITH THE FOCUS INTENSIFYING ON FINDING AND DEVELOPING THE RIGHT TALENT

Many of the companies in our survey are planning to hire new personnel on a permanent basis and are seeking financial experts with cash and liquidity knowledge and IT expertise, as well as traditional experience in financial accounting and control.

The competition for talent is intensifying, with large companies feeling the impact most. On a global basis, two out of three companies find it difficult to hire the talent they need. In response to this situation, companies are focusing on training and developing their existing staff to build the financial leaders of the future, while continuing to rely on specialist recruitment firms when recruiting for key positions.

A CFO today needs to have a range of skills: financial theory, practice and techniques; social, language and communication skills; and also flexibility. Here, the survey reveals potential areas for improvement if financial leaders are to keep pace with fast-moving global competition.

FINANCIAL LEADER MOTIVATIONS

The general outlook for financial leaders is much more positive than at the time of our last survey in 2012. The job market is improving and the majority of CFOs feel generally happy in their position.

Our study shows significant disparities in compensation. Female financial leaders still earn significantly less than their male counterparts and age is still a critical factor in defining the level of compensation.

SURVEY METHODOLOGY AND RESPONDENT PROFILE

From May to June 2014, financial leaders around the world were invited to participate in an online survey for Page Executive's CFO & Financial Leadership Barometer.

We received 2,847 completed surveys for evaluation. Respondents are based in over 70 countries. The results were weighted according to country market size. Respondents work in different industries, at different levels of seniority and in organisations of all sizes.

In this report, we have included references to recent statistics, where relevant. We also include practical examples from our work as a leading global executive search firm.

When we talk about significant differences, we refer to statistical differences within comparisons that indicate a lower than 5% probability that a difference occurred by chance. Significant differences are highlighted in orange or green.

A NOTE ON THE TERMINOLOGY

As terms such as 'CFO' and 'financial leader' do not convey the same meaning in all the countries and regions surveyed, we have standardised the usage of these terms as follows...

- The term 'CFO' indicates a finance professional at the highest level in his or her company, usually part of the management board or management team
- The term 'financial leaders', however, refers to the respondent group in general. In a strictly statistical sense, all 2,847 respondents of our survey can be regarded as 'financial leaders'

REGIONS SURVEYED

Based on 2,847 responses

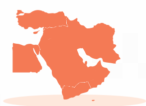
Continental Europe

North America

Asia Pacific

South America

UK & Ireland



Middle East

Africa

Replies received from different regions were weighted to country market sizes in order to give appropriate weight to regional answers.

STUDY OBJECTIVES AND DEMOGRAPHICS

The study questionnaire was designed to gather key information on:

- Scope of CFO and financial leaders' roles
- Key business priorities
- Key changes planned
- Career ambition
- Recruitment plans within finance departments
- Motivational elements such as compensation and benefits and willingness to travel/relocate

RESPONDENTS' POSITION

Chairman/ Chairwoman	CEO/ President	CFO/C-Level/ Executive Board	SVP/VP/Senior Management Team	Head of Finance/ Finance Director /Director	Financial Manager
0.5%	2.7%	39.6%	11.1%	34.7%	11.4%

INDUSTRY

Industrial manufacturing	18.1%
Business services	9.5%
Consumer goods	8.5%
Healthcare	7.6%
Banking & financial services	6.8%
Technology	6.5%
Retail	5.4%
Construction	4.7%
Energy	4.7%
Public sector/ Not-for-profit	3.1%
Media & Publishing	3.1%
Logistics	2.3%
Housing/Property	2.1%
Transport	2.1%
Other	15.5%

COMPANY SIZE

Number of employees

1 - 99	100 - 499	500 - 999	1000 - 4999	5000 and over
27.3%	29.2%	12.4%	16.4%	14.7%

GENDER

82.8%

17.2%

AGE

< 30	30 - 34	35 - 39	40 - 44	45 - 49
5.9%	5.9%	17.6%	27.3%	23.2%

50 - 54	55 - 59	60 or over
15.9%	7.0%	2.2%

FINANCIAL LEADERSHIP REVISITED: WHAT DO WE REALLY KNOW?

Today's CFO is more of a business partner to the CEO (traditionally regarded as the captain of the corporate ship) and holds complementary responsibilities.

Our long experience with business clients and financial leaders shows that modern CFOs must combine traditional qualities with new responsibilities. The duties of operational efficiency, compliance with corporate and regulatory standards, and safeguarding the integrity of company and stakeholder data are still firmly on the CFO agenda. Equally, CFOs continue to be responsible for financial management, accounting and control, as well as areas such as IT, HR and risk management in smaller and privately owned firms.

However, the CFO's role is evolving in the context of changing global markets. As global competition intensifies, companies must find new business models and ways to generate, maintain or increase company profits and value. In this context, CFOs are playing a more important role than ever, as they not only control a company's assets and liabilities, but increasingly implement business strategies on the basis of their strong financial acumen.

Profits and liquidity need to be not only measured but also managed by company performance management systems, drawing on the capabilities of modern enterprise resource planning (ERP) systems and other tools such as data analytics.

One fresh, and possibly surprising, insight leaps out from the study: while financial leaders in general and CFOs in particular are increasingly likely to become future CEOs, the CFO position is now regarded as a position to aspire to in its own right, rather than as a means of advancement to the position of CEO.

THE REGIONAL ECONOMY INFLUENCES COMPANY PERFORMANCE

Financial leaders are members of a company's upper echelons. As such, they are top decision-makers with a high degree of flexibility. They must be aware of and take into consideration current economic trends and the state of the global and regional economy as a whole, as company priorities and investment possibilities will depend on a financial leader's ability to reconcile corporate expectations with the broader economic outlook.

> ”
> There are signs of increasing confidence amongst CFOs worldwide.

FIRST SIGNS OF A WORLDWIDE ECONOMIC RECOVERY

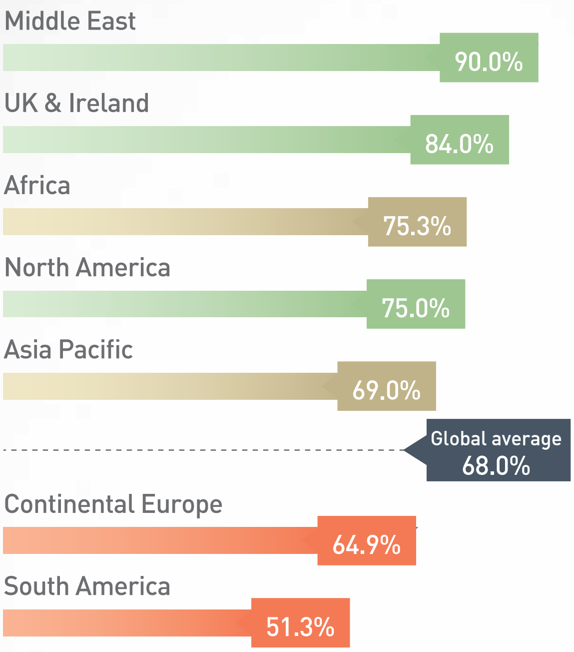
In general, the economic outlook has changed over the two years since our last survey and it has been a change for the better. In 2012, a high percentage of the global economy was affected by the downturn and economic crisis of the Eurozone. Back in 2012, a large proportion of respondents expected to achieve a growth rate of only 1.1%.

At present, economic data from the IMF (International Monetary Fund) shows that the world's gross domestic product is expected to grow at an estimated 3.6% in 2014. Even the downturn in the Eurozone has tailed off.

Meanwhile other areas such as emerging and developing Asia, the Middle East and both north and sub-Saharan Africa feature high growth rates.

We will now contrast the IMF's economic outlook with our respondents' confidence in the strength of their company.

CONFIDENCE LEVEL BY REGION



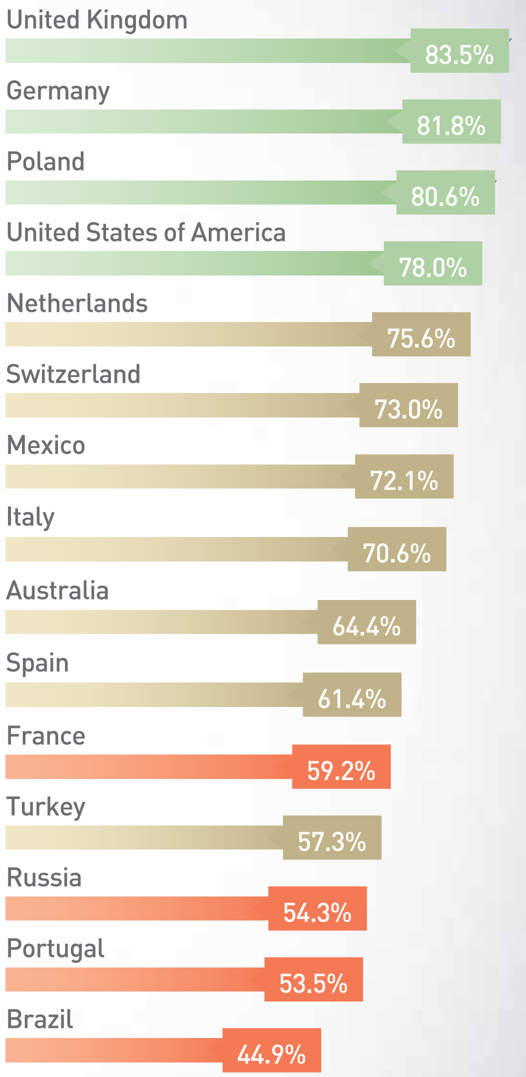
Figures marked in **orange** or **green** are significantly **below** / **above** the global average.

All in all, around 68% of respondents report feeling confident or very confident when asked about the health and buoyancy of the markets in which their business will mainly operate over the next 12 months.

Financial leaders from the UK and Ireland (84%), North America (75%) and the Middle East (90%) show significantly higher rates of confidence than the other regions of the world. These regions have often demonstrated a cultural propensity to bounce back and regain confidence more quickly after economic downturns. Expectations are less upbeat in the rest of Continental Europe, Russia included, at 64.9%, while South America comes in at a surprisingly low 51.3%.

Europe continues to feel the shockwaves of recent economic turmoil. Germany and Poland are islands of optimism, surrounded by countries where expectations of growth range from moderate to very negative.

CONFIDENCE LEVEL BY COUNTRY



Figures marked in **orange** or **green** are significantly **below** / **above** the global average.

The outlook in the UK and the US is the most upbeat, while Brazil, France, Russia, Portugal, and to a lesser extent Spain and Turkey, show lower rates of confidence.

Generally speaking, in our survey members of the senior management team a level below C-level are the most confident. Respondents in companies with over 100 employees in finance are also significantly more optimistic, possibly due to the greater opportunities and competitive advantage that are a feature of larger organisations.

Financial leaders in transport and telecommunications are clearly affected by the adverse regulatory climate and market shifts of the recent past. They consequently show the least confidence at 57.4% and 53% respectively, while confidence is at its highest level in the industries of healthcare (73.4%) and banking & financial services (79.4%). This is an encouraging sign following the global recession where banking & financial services was arguably worst affected.

MANAGEMENT PRIORITIES ARE DETERMINED BY REGIONAL ECONOMIC PROSPECTS

Our survey results show clearly that most companies comply with the general pattern of their surroundings when setting their priorities. Where economic conditions are buoyant, companies express greater optimism; where the regional economy continues to stagnate, their outlook is less confident.

> Companies are now thinking regionally or nationally, rather than internationally.

In our 2012 survey, this was not the case: at the time North American and European companies confidently faced up to the challenging economic trends within their regions.

Company priorities have changed during the last two years. The top priorities that emerged in our 2012 survey (process and cost optimisation) still hold first and second ranking, though at 61.1% cost optimisation now ranks higher than process optimisation (59.6%).

However, 48.2% of respondents now specify cash and liquidity management as a top company priority. Uncertainties in international financial markets, especially sourcing finance for investment and low interest rates globally undoubtedly influence this choice.

The same can be said about financial risk management, which rates a relatively high 30.8% in the study. ERP implementation has remained relatively stable (23.3%), while our respondents follow the recent declining global trend for mergers and acquisitions, with only 21.4% of respondents considering M&A as a top company priority, compared with 33% in 2012.

Transfer pricing activities, on the other hand, saw a small increase at 12.7% (compared with 10.6% two years ago). This is further evidence that respondents are focused on improving financial stability and efficiency.

At 4%, the implementation of corporate social responsibility (CSR) measures rates lowest on the financial leader's list of priorities.

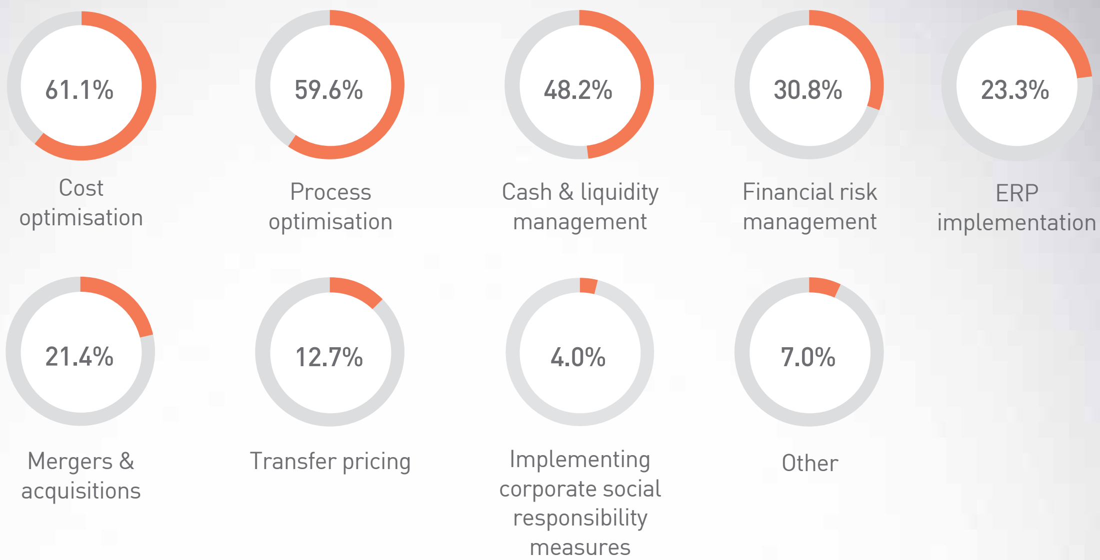
FOCUS ON REGIONAL BUSINESS STRATEGIES, WITH COST A CONTINUED PRIORITY

Compared to the global average of 61.1%, in North America, where companies tend to demonstrate greater confidence, there is less focus on cost optimisation at 56.7%, while process optimisation ranks highest among respondents from South America at 66.6% (global: 59.6%), with financial risk management a focus for 38.1% in this region (global: 30.8%).

Cash and liquidity management seems to be a particular issue for African enterprises, with 62.3% of respondents targeting it as a priority. European companies mostly target cost and process optimisation. In France, 70.4% of respondents noted cost optimisation as a priority, with Spain following closely at 69.5%. Meanwhile process optimisation features prominently in Germany and Russia at 71.6% in both countries.

Only the UK and Ireland, Asia Pacific (especially Australia) and the Middle East show increased interest in M&A activities.

GLOBAL PRIORITIES



PRIORITIES BY REGION

	Continental Europe	UK & Ireland	North America	South America	Asia Pacific	Africa	Middle East
Cost optimisation	62.7%	58.5%	56.7%	60.8%	61.4%	69.7%	51.7%
Process optimisation	61.6%	59.8%	56.1%	**66.6%**	**50.6%**	64.8%	60.9%
Cash & liquidity management	47.0%	41.8%	52.1%	50.3%	45.4%	62.3%	50.7%
Financial risk management	**27.7%**	36.0%	32.2%	**38.1%**	35.2%	31.2%	35.9%
ERP implementation	24.5%	19.2%	**18.3%**	26.6%	24.2%	20.9%	29.1%
Mergers & acquisitions	20.2%	28.7%	21.9%	**14.1%**	**27.8%**	**4.6%**	**36.5%**
Transfer pricing	14.6%	14.4%	**6.1%**	12.5%	15.2%	13.5%	**2.8%**
Implementing corporate social responsibility measures	3.6%	4.0%	5.2%	6.5%	**2.0%**	6.4%	5.8%
Other	6.4%	9.6%	7.9%	5.0%	9.4%	7.8%	3.0%

Figures marked in **orange** or **green** are significantly **below** / **above** the global average.

THE INFLUENCE OF AGE RANGE ON PRIORITIES

Interestingly, financial leaders aged between 50 and 54 generally rated financial risk management highest at 36.5%. M&A activities also tend to increase in line with the CFO's age and experience: only 14% of financial leaders under the age of 35 perceive M&A activities as an important priority (vs. 21.4% overall).

Interestingly, CEOs see M&A as one of the top priorities at 31.7%, a fact that can be attributed to the more strategic nature of the CEO role to date and perhaps indicates that CEOs are less risk averse than CFOs.

Many of our respondents seem to have realigned their business models towards regional or national interests, a reversal of the trend towards global markets, which was once viewed as unstoppable.

As might be expected, company size in general also has a bearing on respondents' priorities: while the survey found that small companies with up to 99 employees see cash and liquidity management as their most important priority (58%), firms between 1,000 and 4,999 employees are more focused on ERP implementation (28%) and M&A (27.4%).

KEY FINDINGS

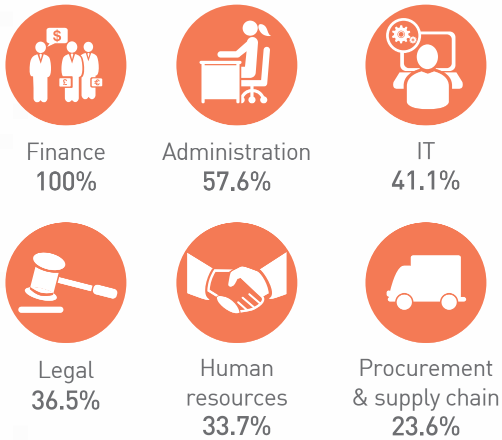
- While different regions experience varying rates of growth, over two-thirds of respondents in the UK and Ireland, North America and the Middle East express optimism about the markets in which they operate
- Confidence is lowest in transport and telecommunications; highest in healthcare and banking & financial services
- There has been a reversal in the trend towards greater globalisation – the state of the regional economy is affecting company priorities
- Company size has a bearing on priorities: cash and liquidity management are most important for smaller companies; ERP implementation and M&A activity for medium-sized firms

THE MULTI-DIMENSIONAL ROLE OF THE MODERN CFO: BECOMING A CHANGE LEADER

Historically, financial leaders in general and CFOs in particular were content to manage the status quo within the company and to implement the policies set by the CEO.

Now, according to our survey, CFOs increasingly act as change leaders, taking on a strategic role as they drive their own strategic initiatives within the finance organisation and across the company as a whole.

SCOPE OF CFO'S ROLE



Change management and strategy implementation rank among the top priorities in business practice today. Enterprises that are active internationally must adapt rapidly to external and internal changes, with the CFO taking greater responsibility for increasing corporate agility.

This year's survey shows that a vast majority of respondents envisage significant changes in their department. In fact only 18.8% of respondents do not envisage changes. Clearly, financial leaders are increasingly expected to act as drivers and managers of change.

50% of financial leaders expect to implement new policies.

The impact of software implementations is also very significant in finance departments worldwide; 47% of financial leaders regard software implementation as a change to be successfully managed.

Restructuring core business processes and organisations is another major focus for financial leaders who report implementing shared service centres (25.5%), centralisation (23.9%), outsourcing (13.6%), decentralisation (7.4%) and insourcing (6.4%).

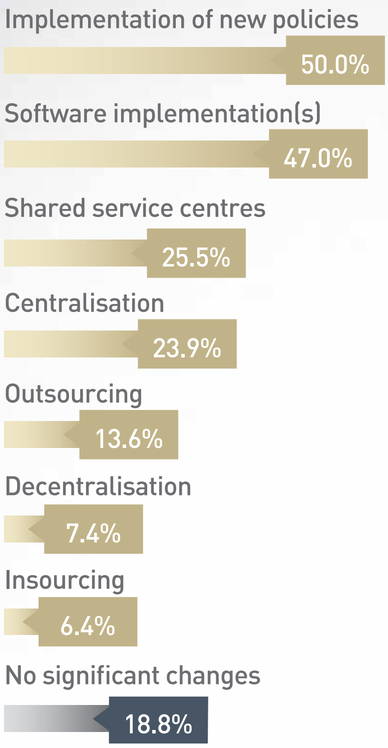
FLASHBACK TO 2012

Our 2012 survey findings supported the claim that the role of financial leader is changing as different aspects of the role are integrated at a strategic level; 37% of financial leaders questioned regarded themselves as leaders, while a further 30% saw themselves as developers.

Today's financial leaders must be finance specialists and strategic thinkers at the same time, a tricky balance to achieve. We will highlight the necessary competencies later, looking at financial leaders' skills and job motivation.

> ”
> CFOs increasingly act as change leaders

CHANGES PLANNED



North America and the Middle East 54.2% and 62.3% respectively, expect to see the highest rates of new policy implementation, in contrast to only 30% in Africa.

At a country level, Brazil, Mexico, Russia and Poland are among the most active in implementing new policies, with France and the Netherlands being the least active. Shared service centres are higher on the agenda in Asia Pacific and South America.

Interestingly, the younger the financial leader, the higher the level of change within their department and the number of new policies. Among all financial leaders surveyed under the age of 35, 58.1% of respondents envisage the implementation of new policies; only 11.7% expect no changes. In contrast, only 42.9% of financial leaders over the age of 54 plan to implement new policies, with 27.9% of executives not planning any significant changes in their departments.

Seen from an organisational perspective, 53.6% of CFOs envisage new policies, while senior vice presidents and vice presidents place greater emphasis on areas such as shared service centres and decentralisation.

As may be expected, small finance departments with between 1 and 9 employees lack the time and resources to dramatically change their business outlook. In these organisations, 25.1% of financial leaders expect no significant changes in the near future.

SIZE IS A FACTOR

As we found in our 2012 survey, the size of the finance department has the greatest impact on the level of change envisaged.

Software implementation, more important in smaller departments, is less crucial where the department size rises above 99 people. Structural changes such as shared service centres, centralisation, outsourcing and decentralisation are directly linked to department size – the larger the department, the greater the predisposition to significant change.

A BROADER REMIT AND DEEPER SUBJECT KNOWLEDGE

In smaller companies, financial leaders are not only responsible for finance, financial control and accounting, they also manage other important areas such as tax, legal, human resources (HR), and information technology (IT). This development sheds light on some difficulties faced by modern CFOs.

First, the core competences of finance, financial control and accounting are themselves becoming more complex and interconnected. In the field of financial control, trends such as value-based management and data analytics are notable examples.

Company finance and treasury have seen an important increase in scope and importance during the last few years as companies open up to modern financial instruments such as corporate bonds.

Tighter financial risk management gives companies more security. In the field of accounting, the internationalisation of financial standards is affecting businesses on a global scale, rendering knowledge and experience in this area highly relevant.

Tax and IT, topics formerly on the periphery of the financial leader's job specification, have become more important. In the case of tax, transfer pricing and tax data analytics are clearly important examples. The increasing importance of IT can be attributed to higher levels of digitalisation and automation within enterprises. New challenges have been added into the mix...

- **Governance, Risk Management and Compliance (GRC) and Data Analytics**

  To limit financial risk and secure company assets, companies deploy modern methods of data analytics as a way to manage their internal data and better understand external data.

- **Corporate Social Responsibility (CSR) and Shared Service Centres (SSCs)**

  Building key stakeholder relationships and identifying new areas for future investment have become paramount.

The next generation of SSCs includes the creation of higher value through global management and interaction with internal and external stakeholders within the value chain. This increasingly affects formerly internal functions such as tax, real estate services and legal services. This is especially true for larger and more experienced finance departments.

ENGAGING WITH INVESTORS AND SHAREHOLDERS

Financial leaders are increasingly being drawn into relatively new fields of engagement such as investor relations, shareholders' meetings, and strategy. Shareholders' meetings and press conferences – once a platform for CEOs and chairmen – are increasingly organised and hosted by financial leaders and CFOs, requiring them to hone their skills in diplomacy and communication.

The strategic aspects of financial leadership now also include the formulation of separate corporate strategies and the alignment of these strategies with the strategic outlook of the finance function. This adds yet another dimension to the role of financial leader.

KEY FINDINGS

- Compared with the 2012 survey, more respondents, especially in North America and the Middle East, expect higher levels of change
- The younger the financial leader, the higher the level of intended change
- Common areas of change are shared service centres, centralisation, outsourcing, decentralisation and insourcing
- The greatest impact on the level of change comes from the size of the finance department
- Governance, risk management and compliance, data analytics, corporate social responsibility, shared service centres, and stakeholder relationships are just some of the new responsibilities being added to the traditional CFO agenda

THE CFO POSITION: GAINING IN STANDING AS A CAREER AMBITION

It has become so common for leaders in finance to rise to the position of CEO that many industry watchers have come to regard the post of CFO as a stepping-stone, rather than as a position in its own right. However, when we asked respondents to outline their vision of where they see themselves over the next two years we found something interesting.

Across the survey as a whole, 48.5% of respondents envisage themselves staying in the same position but with a larger remit and greater influence within the company. With these opportunities ahead of them, they do not necessarily want to become CEO.

Interestingly, this new-found confidence is especially prevalent among female financial leaders, with 52.9% of female leaders expecting an increase in the importance of their role during the next two years.

Age plays a factor. Expectations are high among younger financial leaders, with 56.5% of CFOs under the age of 35 and 53.7% aged 35 to 39 expecting to experience an enlargement of their remit. However, CFOs aged 50 and above do not think that their position within the company will change within the next two years (39.8%).

Regional disparities can also be found. Among North American financial leaders, 23.6% believe they will be in the same position in two years' time, compared to 18% at a global level. Only 38.9% expect to see a significant change in their role. Financial leaders in the Middle East see the greatest opportunity for change, with 60.7% predicting an increase in their scope and importance.

Two important trends were identified for Europe and North America. The trend for CFOs to become CEOs is mostly found in Europe (4.1% of respondents), especially in France (9.5%), the Netherlands (8.9%) and the UK (7%).

POSITION ENVISAGED BY CFOs IN TWO YEARS

	CFOs	All financial leaders
Same position with a larger remit	43.1%	48.5%
Same position	24.0%	18.1%
Interim manager	2.7%	4.0%
CEO or Managing Director	1.7%	2.9%

POSITION ENVISAGED BY FINANCIAL LEADERS IN 2 YEARS

	Global average	Continental Europe	UK & Ireland	North America	South America	Asia Pacific	Africa	Middle East
Same position with a larger remit	48.5%	50.1%	52.8%	**38.9%**	44.6%	53%	51.2%	60.7%
Same position	18.1%	17.7%	15.2%	**23.6%**	**11.1%**	22%	**6.7%**	**5.8%**

Figures marked in **orange** or **green** are significantly **below** / **above** the global average.

It seems to be clear that the CFO position is escalating in importance. Most financial leaders see the CFO position either as their next important move or as the final step in their career.

53.6% of heads of finance/finance directors expect to be in the same position with a larger remit; senior vice presidents responded similarly at 53.5%. However, CFOs are significantly less keen on moving to another position: 24% believe they will stay in their current position, while 43.1% believe they will be employed in the same position but with a larger remit. Interestingly, this finding is not linked to company size.

Yet when we look at reporting structures, it becomes clear that financial leaders are becoming increasingly important in smaller companies, as most of financial leaders report directly to the CEO or the chairman/woman.

IS CFO SET TO BECOME THE MOST IMPORTANT C-LEVEL POSITION?

Changing business environments require business model transformation. In the past, visionary CEOs were experts in product markets, technology, sales and strategy. The survey results indicate that the balance within company boards may well be shifting towards the CFO.

As noted earlier, most of the envisaged changes in strategy, structure and culture are directly linked to the financial leader's area of responsibility. As these tasks become more challenging, the relationship between the different C-levels must become closer than ever.

Back in 2012, we found that a high percentage (75%) of CFOs worked closely with their CEO. In the future, increasing complexity in CFO tasks might lead to greater CFO independence, a trend we're already seeing in smaller companies.

THE POSITION OF CFO: A ROLE TO ASPIRE TO?

The changes within the CFO position and role also affect the job market. Formerly, the CEO position has been the paramount career goal for ambitious young professionals.

However over the past few years, companies have reacted to higher demand for a specific career path in the area of financial leadership by introducing special programmes in finance, financial control and accounting. In this year's survey, 54.8% of respondents saw training and development as a top priority for the finance function.

KEY FINDINGS

- The post of CFO is no longer just a stepping-stone to the role of CEO – now a position in its own right, it's become a popular career goal for ambitious young finance professionals
- Almost half of respondents, especially those under the age of 40, envisage taking on a larger remit and having greater influence in the near future
- This trend is especially strong among Middle Eastern CFOs
- Heads of finance and finance directors are more likely than CFOs to expect an expansion of their role
- There is a trend for CFOs to operate with increasing independence from their CEO

A CHANGING SKILL SET: INTENSE FOCUS ON FINDING AND DEVELOPING THE RIGHT TALENT

TO RECRUIT OR DEVELOP?

In today's job markets, potential employees would appear to have gained the upper hand. In the context of this 'seller's market', many companies seem to be focusing more on training and developing their workforce than on talent acquisition. This could have at least two possible causes:

- Enterprises face a very different experience with today's graduates and young professionals. These cohorts can lack theoretical and practical knowledge, so it is often better for companies to focus more on enhancing their knowledge within the organisation.

  In the light of the investment this entails, it then seems quite contradictory that employee retention is not regarded as equally important.

- Given the increasing levels of complexity and organisational impact in finance activities, there is a need to upgrade the competences of professionals and develop the necessary changing skills set of existing finance managers and experts.

  To date, the main focus has been on developing specialist financial skills within the available pool of talent. Now, in a world of ever-increasing complexity, where change management seems to have become a continuous process, it seems logical to develop a broader and higher management perspective.

An example of this is the importance given to having better change management capabilities: it is the second most important HR issue for 44.9% of respondents. In some countries; Australia, France, Russia, Germany, Spain, Switzerland, the Netherlands and Poland, that percentage is even higher and significantly so.

We should highlight a critical risk associated with training and developing internal resources rather than acquiring new talent.

It introduces the risk that many current finance specialists will not be able to develop the required new skills set and highly complex management competences to respond to the larger remit outlined earlier in this report.

The ability to analyse data, to continuously adapt to a changing external and internal environment, to anticipate the cross-functional implications of organisational changes (moving to centralisation, SSCs, off-shoring) are just some of the crucial new competences. These are not the easiest of capabilities to develop and companies need to take pre-emptive action today.

The survey indicates clearly that larger organisations in the main are in need of these broader change management and leadership skills within their finance talent pool.

Therefore, the need to hire financial specialists who can conceptualise a broader and more up-to-date management perspective and finance managers with strong change management capabilities would be a logical consequence, leading to increased demand for specific talent acquisition.

The picture is not completely uniform: for example, our survey found a gender difference in HR priorities: female financial leaders focus more on training and development; male financial leaders focus more on talent acquisition.

Age also played a part in the response. Financial leaders over 55 place greater importance on compensation and benefits, with much less emphasis on training and development.

HR PRIORITIES BY REGION

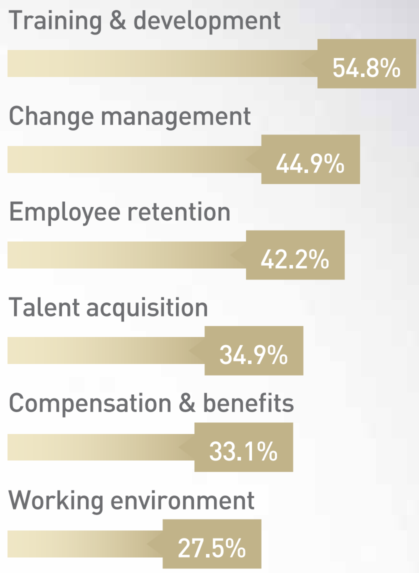
Regional comparisons show wide disparity. While training and development are most important in Africa at 73.5% and the UK and Ireland at 68.1%, employee retention takes precedence in North America (54.6%) and Asia Pacific (52.7%), while talent acquisition is at its strongest in North America (44.1%) and the Middle East (49.5%).

Compensation and benefits play an important role in North America, South America, and the Middle East, while only a few companies in these regions seem to be interested in their employees' working environments.

This pattern can be attributed to cultural as well as economic reasons. Economic conditions can encourage companies to prioritise factors that can be easily adjusted, such as compensation and benefits, so that they target the working environment only in the longer term.

Priorities are also clearly related to company size. While smaller companies understand that they must prioritise compensation and benefits at 37.2%, larger companies focus more on change management at 57.3% and talent acquisition at 45.2%.

HR PRIORITIES WITHIN FINANCE DEPARTMENTS



HR PRIORITIES WITHIN FINANCE DEPARTMENTS BY REGION

	Global average	Continental Europe	UK & Ireland	North America	South America	Asia Pacific	Africa	Middle East
Training & development	59.8%	53.9%	68.1%	49.2%	55.8%	55.7%	73.5%	62.7%
Change management	43.0%	47.6%	52.7%	37.8%	39.0%	46.0%	33.3%	44.7%
Employee retention	47.6%	33.9%	51.2%	54.6%	47.4%	52.7%	41.0%	52.3%
Talent acquisition	38.1%	31.2%	38.4%	44.1%	29.4%	36.3%	38.0%	49.5%
Compensation & benefits	36.5%	27.2%	27.3%	46.3%	46.0%	32.7%	27.8%	47.9%
Working environment	26.1%	27.9%	22.3%	30.0%	35.7%	21.5%	23.7%	21.6%

Figures marked in **orange** or **green** are significantly **below** / **above** the global average.

GREATER NEED FOR PERMANENT PERSONNEL

In comparison to the findings of our 2012 CFO survey, companies' needs have clearly shifted. As our 2012 HR survey indicated, companies across the world are now taking on new employees, and it's on a permanent basis: 81% of positions being created will be permanent ones. The demand for permanent professionals is strongest in accounting (89%), financial control (87%), cash management (87%) and tax (86%).

NEED FOR FINANCE SPECIALISTS – THE 'PORK CYCLE' AT WORK

While financial leaders have seen their role expand, the traditional areas of finance, financial control and accounting remain central to the work of the finance department.

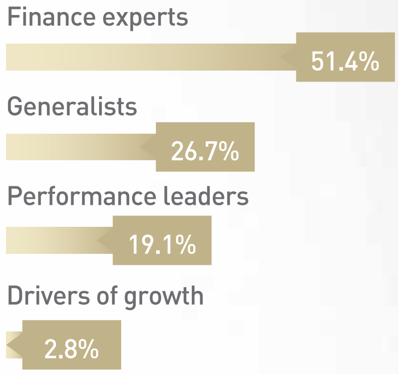
This is consistent with a phenomenon known as the 'pork cycle' or 'cattle cycle' in economics, first used to describe the phenomenon of cyclical fluctuations in supply and prices in livestock markets. High salaries in a particular sector attract more students to study subjects that will ease their entry into the sector. When these students graduate and start to compete on the job market, their prospects deteriorate, which in turn deters students from studying this subject.

Applied to the financial job market, recent years were characterised by a sluggish job market for finance experts. Companies are now feeling the repercussions of this development: with fewer qualified people entering and remaining in the job market, demand is increasing rapidly.

Recognising that shrinking markets and higher risks render financial expertise paramount, companies are looking for greater depth of knowledge and skills in their personnel. While the pork cycle has seen high demand for generalists in the last few years, specialists (those we call finance experts in this survey) are most sought after, as indicated by 51.4% of responses.

However, regional disparities still remain. While European companies are looking more for finance specialists, South American companies at 36.2% are looking more for generalists. This may reflect the current scarcity of finance expertise in the South American job market.

PROFILES FINANCIAL LEADERS ARE LOOKING FOR



Interestingly, the survey shows that needs diverge in line with company size. Larger companies clearly need more performance leaders – possibly because they are undergoing more continuous change processes than smaller organisations. Smaller companies are in desperate need of finance experts. Generalists are an attractive option for only very small companies, those with fewer than 10 employees.

65.9% of respondents experience problems in finding the right person for the right position in their companies. Considering the increasing functional demands and remit of today's financial leaders, this seems a logical consequence.

PROFILES FINANCIAL LEADERS ARE LOOKING FOR BY REGION

	Continental Europe	UK & Ireland	North America	South America	Asia Pacific	Africa	Middle East
Finance experts	54.7%	49.6%	49.0%	35.7%	50.3%	49.9%	50.5%
Generalists	25.1%	34.4%	27.8%	36.2%	24.7%	36.8%	17.6%
Performance leaders	17.4%	14.4%	21.3%	25.0%	20.5%	13.3%	28.9%
Drivers of growth	2.8%	1.5%	2.0%	3.0%	4.6%	-	3.0%

Figures marked in **orange** or **green** are significantly **below** / **above** the global average.

Older financial leaders face the task of recruitment with more confidence: 40.2% of financial leaders between the ages of 50 and 54 and 39.3% of financial leaders older than 55 view talent acquisition as an 'easy' task. Regionally, prospects for recruiting the right people are brightest in Asia Pacific, the UK and Ireland, while the South American outlook is more gloomy.

Compared with an average of around 34% for all sectors, the media and publishing industries express more optimism, but even here only 50.3% of respondents find it easy to recruit. It seems to be clear that the larger the company, the harder the task of talent acquisition: 70.8% of companies with over 5,000 employees see talent acquisition as a difficult task.

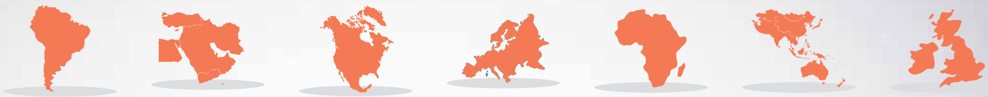
HAS THE FINANCE EMPLOYEE GAINED SUPREMACY IN THE WAR FOR TALENT?

This seems to be at least temporarily true for large companies. However, the professionals in demand today might well experience job difficulties in one or two years' time, so they should pay all due regard to their continued professional development.

NEW POSITIONS PLANNED IN FINANCE DEPARTMENTS

Multiple answers possible

LEADERS HAVING DIFFICULTY FINDING THE RIGHT TALENT



South America	Middle East	North America	Continental Europe	Africa	Asia Pacific	UK & Ireland
75.4%	68.3%	66.9%	66.8%	62.0%	58.4%	56.9%

Figures marked in **orange** or **green** are significantly **below** / **above** the global average.

KEY FINDINGS

- Training and development score highly in Africa and the UK and Ireland; employee retention takes precedence in North America and Asia Pacific, while talent acquisition is strongest in North America and Middle East
- Larger organisations are focusing more on hiring high-performance leaders with a strong track record in managing performance/transforming organisations. Recent high demand for generalists seems to be ebbing in small to midsize organisations: now over half of these companies are seeking specialists with a greater depth of knowledge and skills
- There is growing need to develop and hire potential leaders who are capable of effective change management
- Smaller companies prioritise compensation and benefits; larger companies focus on change management and talent acquisition
- The vast majority of new positions will be permanent ones

WHAT MOTIVATES FINANCIAL LEADERS?

Many financial leaders expect to be in the same position for some time, albeit with a larger remit in the near future.

Like any employee, financial leaders can be motivated by monetary rewards, an interesting workload, teamwork, an international work environment and fringe benefits. All in all, 75% of respondents report feeling 'quite happy' or 'very happy' in their current post.

SATISFACTION IN CURRENT POSITION

HAPPY **75.0%**

Perhaps reflecting the need for higher skills and the general trend in society to view youth as an asset to be relied on, younger financial leaders are much happier than older ones. Breaking the findings down by age, 80.6% of financial leaders under the age of 35 say they are happy, while only 70% of leaders aged between 50 and 54 do so.

There is remarkable consistency in the findings, with little or no difference between the regions in the total number of respondents reporting that they are 'very happy' or 'quite happy'. However, when we focus only on the numbers of people feeling 'very happy', financial leaders in the UK and Ireland and North America are significantly more often 'very happy' at 31.9% and 32.9% respectively than their European and African counterparts at 16.9% and 13.3%.

While financial leaders in healthcare (28.0%), construction (27.4%) and banking & financial services (26.3%) are very happy, the figure for both industrial manufacturing and consumer goods is 16.5%.

This is also consistent with results that show a reduction in the age at which CFOs take up their post. North America is the exception: here it takes significantly more time for financial leaders to reach a C-level position. This can be attributed to the typical career route within North America, where future CFOs tend to move up through the ranks of the finance organisation.

In other regions, such as Europe, CFOs are more often hired in from outside, for example as interim managers or from professional service firms. The latter course tends to be a much quicker route to career success than climbing the ladder within a given organisation.

In contrast, CFOs seem to be motivated by the job they do and the work environment. Here, size clearly has a positive effect: the larger the finance department, the greater the chance of happiness for financial leaders.

CFO PAY DIFFERS WIDELY ACCORDING TO GENDER, REGION AND AGE

After company size, compensation and benefits have most impact on the motivation of CFOs and financial leaders.

SALARIES BY GENDER

EUR '000	USD '000		
< 60	< 83	10.0%	16.1%
60-89	83-123	14.8%	22.8%
90-119	124-164	18.2%	20.2%
120-149	165-206	16.1%	11.3%
150-199	207-275	15.0%	7.4%
< 200	< 276	14.7%	11.1%

Figures marked in **orange** or **green** are significantly **below** / **above** the global average.

One hard fact leaps out: female financial leaders still earn significantly less than their male counterparts.

As might be expected, longevity of service means that older financial leaders earn much more than younger financial leaders. While half (50.1%) of leaders under the age of 35 earn 123K US dollars/89K euros or less, almost 40% of financial leaders aged between 50 and 54 earn 207K US dollars/150K euros or more. Regionally, European and South American CFOs earn less, which is consistent with the economic outlook. Meanwhile, CFOs in the UK and Ireland, North America, Asia Pacific and the Middle East have higher incomes.

While pay is clearly linked to the size of both the company and the finance department, salary levels are highest in banking and real estate and lowest in industrial manufacturing and the public sector.

SETTING THE RIGHT INCENTIVES

Companies may look to motivate their financial leaders by including a variable component in their pay. However, they are aware that too high a variable component can encourage risk-taking.

The survey shows moderate levels of variable pay. In total, only 15.2% of respondents report having a variable percentage higher than 30%. For female leaders, variable pay is not commonplace: for 29.1% of women respondents the variable component makes up less than 5% of their pay. The proportion of variable component in pay increases with age for both male and female financial leaders.

Looking at the picture globally, the UK and Ireland and North America have reverted to traditional patterns of behaviour in showing the highest rates of variable pay component.

Some industries buck the trend towards reducing the proportion of variable component: in banking and financial services 32.4% of financial leaders receive over 30% as variable pay. In real estate, 29.1% of financial leaders receive over 30% of their salary as variable pay.

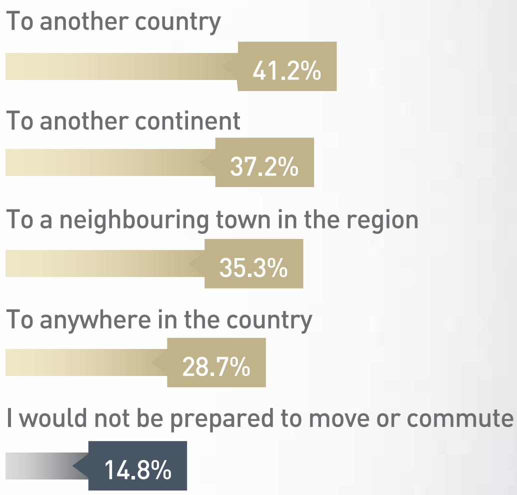
In addition, the variable component increases with seniority, company size and the size of the finance department.

SKILLS AND MOBILITY – THE KEY TO CFO EMPLOYABILITY

As we have highlighted throughout the survey, the office of financial leaders is increasing in importance and complexity. But do financial leaders' skills match company expectations? Regarding professional and technical skills, we have found that larger companies emphasise technical competences, while language skills and flexibility are also important.

In accordance with their higher expectations of having satisfying, well paid work, over 85% of financial leaders are ready and willing to move or commute to work. In our 2012 CFO survey, 81% responded in this way.

READINESS TO MOVE OR COMMUTE



VARIABLE SALARY BY REGION

	Global average	Continental Europe	UK & Ireland	North America	South America	Asia Pacific	Africa	Middle East
< 5%	22.5%	23.7%	21.0%	20.4%	22.3%	20.3%	27.8%	21.8%
5-9%	10.5%	11.4%	6.4%	8.9%	13.8%	**7.0%**	14.4%	11.6%
10-19%	25.2%	**28.3%**	23.2%	**15.2%**	21.1%	27.5%	24.1%	31.9%
20-29%	16.6%	16.8%	14.2%	15.4%	17.0%	19.7%	**8.9%**	15.8%
30% or over	15.2%	**11.3%**	**27.9%**	**26.0%**	**8.1%**	18.1%	10.6%	11.6%

Figures marked in **orange** or **green** are significantly **below** / **above** the global average.

As was to be expected, younger financial leaders with the career ladder still to climb are much more flexible than older ones, with 92% of leaders under the age of 35 being ready to move or commute. The fact that only 78.3% of women are ready to move or commute could be one of the reasons why women in the profession still earn less than their male counterparts and are less likely to attain a management position.

Looking at the regional findings, African and Middle Eastern financial leaders are generally most flexible. European financial leaders see their future career as being pan-European, as they are mostly willing to move or commute to a similar or neighbouring country.

At the other end of the scale, financial leaders in Asia Pacific are least willing to move or commute. While UK and Ireland leaders are at least willing to move or commute within their own country, both UK and Ireland and North American leaders are less likely to move or commute to other countries, making the financial leader job market a very local or national phenomenon.

KEY FINDINGS

- Three-quarters of respondents are 'quite happy' or 'very happy' in their current post, with the proportion even higher among younger financial leaders
- Financial leaders in the UK & Ireland and North America are much more likely to report being 'very happy' than their European and African counterparts
- The tipping point at which the level of happiness starts to decline is when a company reaches 5,000 employees
- Female financial leaders are still taking home a significantly lower salary than their male counterparts
- A large majority of financial leaders are willing to move or commute to work, especially men under the age of 35

IN CONCLUSION: WHAT DOES THE FUTURE LOOK LIKE FOR FINANCIAL LEADERS?

Other studies have concentrated on financial leaders and CFOs as performance architects and growth leaders. From our survey, we now know that financial leaders also play a decisive role as strategic advisors in crucial economic situations and crises.

This makes the CFO of tomorrow a strategic thinker with good communication skills and the capacity to introduce and manage continuous change effectively, ready to delegate and to focus on results rather than method, someone prepared to collaborate rather than push through a decision unilaterally, and who, as a trusted advisor, lives up to the higher remit set by the company's board.

In this survey, we have detected certain trends for the near future regarding the profile of the financial leader:

- **Topics, methods and social skills:** As highlighted in the survey, today's financial leaders cannot be complacent. On the contrary, the complexity of finance reaches far beyond its own specific technical areas and functions.

  As the remit and impact of financial leaders expands, mastering the role becomes more demanding. Financial leaders, with the backing of their organisations, must be committed to lifelong learning in refreshing and extending their formal qualifications in the core areas of their work, learning new methods and technologies such as data analytics, and improving their social, communication and change management competences.

- **Gender:** The finance function still shows fewer opportunities for women compared with other functions such as HR, marketing and sales. Companies must realise that future demand for qualified personnel cannot be met solely from the existing pool of male employees and must take appropriate action.

- **Age:** As shown in our survey, older financial leaders are generally less satisfied than their younger colleagues, possibly reflecting the regard accorded to youth in modern economies. Given that experienced financial leaders offer valuable skills and experience from which to enhance company performance, age on its own cannot be deemed a positive or negative factor.

  Modern companies will have to cope better with demographic changes in order to ensure the efficiency of the finance function. How do companies retain the intellectual capital and skills of their older financial leaders as younger financial professionals gradually take their place?

As we have seen throughout this survey, the finance function continues to evolve, possibly more than any other, due to globally rising levels of complexity. Those who work in finance face new challenges. We will monitor the trends and patterns that have emerged this year with a view to conducting a future survey to assess whether our predictions and those of respondents have been realised.

Page Executive